

MINUTES
Highway Expansion and Extension Loan Program

Advisory Committee Meeting
November 23, 1999

Committee Members Present:

Mary Peters
Cliff Potts
Tami Ryall

Jeff Martin
Gary Magrino
Paul Schwartz

Others Present:

John McGee, ADOT
Shawn Dralle, ADOT
Vicki Tsutsumida, FHWA
Tim Ahrens, ADOT

Anna-Marie Perry, ADOT
Evamae Nye, ADOT
Ellen Damron, ADOT
Val Carrola, ADOT

Call to Order

The November 23, 1999 meeting of the HELP Advisory Committee was called to order by Chair Mary Peters at approximately 1:17 p.m. A quorum was present: Cliff Potts, Gary Magrino, Paul Schwartz and Mary Peters. (Tami Ryall and Jeff Martin joined the meeting at approximately 1:30 p.m.)

Ms. Peters stated that she was designating Victor Mendez, Deputy Director of ADOT, as Chair designee in the event that she would be unavailable for the HELP Committee meetings. Ms. Peters stated the importance of the Committee and emphasized that senior staff will continue to be involved.

Minutes of the October 4, 1999 Meeting

The Chair called for the adoption of the minutes of the October 5, 1999 meeting. Motion to approve the minutes was made by Gary Magrino and seconded by Cliff Potts. The motion carried unanimously.

Review of the HELP Applications

Four HELP applications were submitted for review and consideration for financial assistance. The Chair turned the meeting over to Ms. Dralle for the discussion of the applications. Ms. Dralle stated that the Chandler application will likely be withdrawn and therefore unnecessary for discussion to occur on that application.

Ms. Dralle then reviewed the applications received from Chino Valley, Cochise County and the City of Tucson. The Technical Review Team and HELP staff met twice on all of the

applications. Ms. Dralle stated that overall the Technical Team was comfortable with the remaining applications. Discussing the Chino Valley and Cochise County applications together, Ms. Dralle stated that both requests are for relatively small amounts: \$300,000 for Chino Valley and \$436,000 for Cochise County and both pledge to local HURF revenues for repayment.

Discussion ensued regarding the pledge of local HURF revenues. The Technical Review Team and staff have been reviewing the legislation regarding the pledge of the HURF revenues. They have confirmed that if a community pledges local HURF monies, voter authorization is required. Neither Chino Valley nor Cochise County has that authorization. Depending on the Advisory Committee's action and the action by the State Transportation Board on December 17, staff will negotiate some other type of security pledge for the two loans. In preliminary conversations with the applicants, and reviewing their financial statements for the city and the county, Ms. Dralle did not believe that it would be a challenge because the loans are small. Ms. Dralle suggested a broader policy discussion for the Advisory Committee regarding the smaller communities and loan amounts.

Ms. Dralle proposed that staff submit a recommended policy at the January Advisory Committee meeting that the Committee have some discretion as to what they accept for security for smaller loans from small communities. It was emphasized that it is important to keep the ability for these communities to borrow from the HELP fund.

Mr. Potts said that ADOT has the ultimate authority over the entire HURF fund. Ms. Dralle stated that as long as the Committee finds a secure pledge, whether it is local sales tax or some other type of security, ADOT will be able to implement that intercept for the local HURF revenue. For some communities the credit quality, particularly under the application criteria, is going to have them score lower if there is not some threshold for the smaller communities.

Mr. Magrino asked about the additional information request by the Technical Team regarding the Chino Valley project. Ms. Dralle reported that the team asked for additional information on the warrant study. The three criteria were accidents, peak hourly volume and peak hourly delay. The three deficiencies that were met in the study raise the project priority. It was reported that the community asked for a six-year loan for repayment, but after discussion with Chino Valley, it was determined that the community could meet the five-year repayment schedule with a smaller first-year payment.

Mr. Martin called attention to the fact that the legislation states that the project awards have to be in the Transportation Improvement Plan (TIP) for the Council of Governments for that region and funded at least one-half with federal money. Mr. Ahrens stated in both cases (Chino Valley and Cochise County) the TIP was amended to include these projects. Mr. Martin further commented on the project eligibility and referred to the statute. Mr. Martin noted that in drafting the legislation, they wanted to avoid funding local street projects. The concern was the COG's TIP was amended and the project was funded with only local money. The idea was to accelerate projects that are on the State or National Highway Systems. Ms. Dralle acknowledged Mr. Martin's concerns.

It was noted that the Chino Valley project is part on the State Transportation System and that the Cochise County project is a federal aid eligible project and on the National Highway System.

Ms. Dralle noted that staff will negotiate with Cochise County for their security pledge in lieu of the HURF pledge. She stated that as a county they have more revenue sources, and didn't believe the pledge would be a problem.

Discussion continued. Mr. Martin acknowledged that the Chino Valley project meets the second test, but did not believe that the Cochise County project meets the second test of the statute because it is funded locally. Mr. Ahrens stated that Cochise funded the program and they put it in with local funding with the intention of receiving HELP funds. It originally planned to be listed in the TIP as SIB money. Ms. Tsutsumida, local FHWA Financial Manager stated that it would have to be a federal aid category and SIB is not a federal aid category, even with the old money that capitalized the SIB. She stated that the SIB is discretionary money.

The Committee asked if the staff had a breakdown of the project evaluation points. Ms. Dralle responded that she did, but the overall average score was on the recap sheet. Each of the Technical Team scored independently. The scores were averaged and the team did not make any adjustments after the additional information and discussions.

Reviewing the Tucson project request for \$10 million for an underpass, Ms. Dralle reported that the HELP loan would move the project up four years. The Technical Team had concerns about whether the design standards for this road met AASHTO's standards on the design of the curves. The Technical Team met with the City of Tucson staff who explained that the curves had been redesigned and showed the Technical Team what the envisioned underpass would be.

Mr. Magrino suggested that maybe the Department should go back to the Union Pacific to ask them as a good will gesture to participate with the Department with the design of this underpass. Mr. Ahrens reported that the City of Tucson had probably had some conversations with Union Pacific, but that the Department had not contacted them to date. Discussion followed. Ms. Peters reported it has been the Department's past experience of being turned down by Union Pacific, most recently on the Cortero Road project. The reason given by the Union Pacific was the merger with Southern Pacific. Paul Schwartz stated that he did not see that Union Pacific could refuse participating because the overpass as it stands does not meet today's criteria.

Mr. Magrino suggested a letter be written from the Committee in a position of good will, but let Union Pacific management know that it is intolerable that the public sector has to pay for this additional expense. It was asked that Mary Peters or John Hudson sign the letter.

Ms. Peters asked the preference of the Committee to move forward with the Chino Valley and the Tucson project and come back to the Cochise County project at a later meeting. Mr. Martin so moved, and Mr. Schwartz seconded the motion to forward the Chino Valley and the City of Tucson projects to the State Transportation Board for their approval for financial assistance, and defer action on the Cochise County project and the City of Chandler project since there was no formal letter of withdrawal from Chandler at this time. There being no further discussion, the motion carried unanimously.

Ms. Peters stated that if the staff is able to obtain the details on funding of the Cochise County project, the Committee will be updated. Ms. Dralle stated that a telephonic HELP Committee meeting could be held before the State Transportation Board meeting in December.

Ms. Peters excused herself from the meeting and turned the meeting over to Ms. Dralle.

Staff Report

Ms. Dralle stated that the annual report gives a brief and simple explanation of the program and the status of the fund. The report is mandated by the legislation and will be given to the Governor, legislators, councils of governments, mayors, city managers, city financial managers and interested stakeholders.

It was reported that staff is in the process of revising and updating the application/handbook and pamphlet in anticipation of taking it to several outreach meetings after the first of the year.

Mr. Martin stated that he is interested in having some of the HELP Committee meetings outside the Phoenix area. Discussion followed. Several suggestions were made. Ms. Dralle stated that she would get back with the Committee with a proposal at the January meeting.

Financial Status of HELP Fund

Mr. Ahrens reviewed the overall program and the cash flow, shown on a fiscal year basis of what the status of the fund will be. He stated that through this year there is \$44 million more or less for the fund to lend out.

It is noted that based on how the statutes are written, there is no leeway in how the legislation is interpreted. The legislation states that any money in the HELP fund is allocated 50%, 25%, 25% through 2004. Ms. Dralle related that the challenge will be getting projects in the system and “out the door” so that some of those balances can be used.

Mr. Magrino asked Mr. Ahrens if there are projects lined up, and in reply Mr. Ahrens stated that this first year there are some projects lined up. The next round, if there are good applicants to use the funds, the money is available for them.

Mr. Magrino inquired about the status of the Lake Havasu project. Ms. Dralle reported that staff as well as Debra Brisk, the district engineer, has tried unsuccessfully to contact the developer regarding the project. Internally, staff has had some debate as to having Lake Havasu resubmit the project in April. Ms. Dralle noted that since there has not been an abundance of applications this round, it was decided to hold Lake Havasu’s place in the program. Mr. Magrino asked about policy to call a loan back. He noted that there were some alternative projects in the first round that could be reconsidered. He stated that his goal as a Committee member, as he perceives it, is to have all of the numbers close to zero, and if the best of the projects have been selected then, he believed, that the Committee should go back to look at secondary projects that are important to

the smaller towns. Mr. Martin agreed, but stated that the only caveat is that all funds not be spent on one big project.

Call to the Public

Ms. Tsutsumida asked if the application and annual report is posted on the internet site. Ms. Dralle reported that the legislation, application/handbook, agenda and minutes are posted. The annual report will also be posted online.

Future Agenda and Next Meeting

The next meeting date scheduled for December 7 has been canceled. However, if the information on the funding detail is available on the Cochise County project, Ms. Dralle stated that staff will send out information or communicate by e-mail or teleconference to the Committee.

The first Advisory Committee meeting of the year 2000 will be held January 4, at 1 p.m. in the State Transportation Board Room.

Mr. Magrino asked about the dates for the next round of actively soliciting applications. Ms. Dralle stated that we have not formally set a date for future solicitation. She said that given the status of negotiations on the existing IGA's, she thought the Committee could be ready to take applications by April. The materials for the next round will be completed for the planned January outreach and various conferences. Ms. Ryall stated that she feels that the Committee is not getting as much interest as they should. She suggested getting on the agenda for some of the COGs.

Mr. Magrino asked that staff at the next meeting provide information on the ADOT/Lake Havasu project. He stated that some policy should be formed, as delays may come up with other projects. Mr. Ahrens stated he has had conversations with the new owner of "The Centre" development who is in the State of Idaho. Mr. Potts stated that if someone is holding up the process, he believed that the Committee will have difficulty keeping the fund in balance.

Ms. Dralle stated that the Committee has not taken a position on a commitment expiration date. She suggested that when the Committee approves a project for forwarding to the State Board, the recommendation could stipulate the commitment to negotiate the IGA and actually have the loan agreement in place. Ms. Dralle stated that this is something possibly to be considered at the next meeting and added that this is a standard practice for most other loans or grant awards.

There being no further discussions, Mr. Martin moved for adjournment and Mr. Schwarz seconded the motion. Motion carried. The meeting adjourned at approximately 2:20 p.m.